

URBANDALE-WINDSOR HEIGHTS
SANITARY DISTRICT
Windsor Heights, Iowa

Financial Report

June 30, 2004

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

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URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
BOARD OF TRUSTEES (as of June 30, 2004)		
Donald J. Broadbent	President	January 2, 2009
Joseph Garvey, Jr.	Clerk	January 2, 2005
Harland E. Hayek	Treasurer	January 2, 2007

ATTORNEY

Paul A. Drey

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Urbandale-Windsor Heights Sanitary District

We have audited the accompanying financial statements of the **Urbandale-Windsor Heights Sanitary District**, as of and for the year ended June 30, 2004 as listed in the table of contents of this report. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the financial statements, the District prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Also, as described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the year ended June 30, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements and the cash balances of the **Urbandale-Windsor Heights Sanitary District** as of June 30, 2004, and the revenues received and expenditures paid for the year then ended on the basis of accounting described in note 1.

The management's discussion and analysis on pages 5 - 7 and the budgetary comparison information on page 15 are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on management's discussion and analysis.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The other supplementary information included in schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Corwin, Reichter & Company, P.C.

Clive, Iowa
December 13, 2005

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Management's Discussion and Analysis
June 30, 2004

Our discussion and analysis of the **Urbandale-Windsor Heights Sanitary District's** financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2004, within the limitations of the District's cash basis of accounting. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to the prior year. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 Financial Highlights

Revenue from the District's General Fund activities decreased 6% or approximately \$52,000 from fiscal 2003 to 2004 due to a decrease in sewer rental fees. Revenue from the ICA Fund increased 94% or approximately \$148,000. WRA budget share refunds increased \$121,000 and the District received \$45,000 as a final installment of the WRA budget share being paid by the Urbandale Sanitary Sewer District. Offsetting the increase in the ICA Fund was a decrease to investment income of \$18,000.

Disbursements in the ICA Fund increased 29% or approximately \$156,000, due primarily to an increase in the WRA budget share payments of \$143,000.

Using the Annual Financial Report

This annual report consists of the following components and is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

Financial Statements consisting of:

The Statement of Net Assets – Cash Basis presents the balances of cash and investments as of June 30, 2004.

The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances – Cash Basis presents the receipts and disbursements of the District for the year. It provides information about the District's activities during the year.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the District's cash and investments, and the District's individual fund activity.

Basis of Accounting

The District maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the District are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Management's Discussion and Analysis
June 30, 2004

Reporting the District's Financial Activities

The District's Reporting Entity Presentation

This annual report includes all the activities for which the **Urbandale-Windsor Heights Sanitary District's** Board of Trustees is fiscally responsible.

Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Balances reports information about the District's activities as a whole which helps answer this question.

This statement reports the District's cash basis net assets and the changes in them. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

In the financial statements, the District's operations are reported in three funds:

General Fund – The District's basic services of providing sanitary sewer lines and facilities for the safe treatment and disposal of wastewater for property owners in the District are reported here.

General Obligation Bond Fund – The payment of interest and principal on any long-term debt the District would incur is accounted for in this fund.

ICA Fund – The District's share of the Metropolitan Wastewater Reclamation Authority activity is reported in this fund.

Government-Wide Financial Analysis

The District's total cash and investments increased by \$284,000 from a year ago. The analysis that follows focuses on the changes in cash and investments.

Changes in Cash Basis Net Assets
(Expressed in Thousands)
Year ended June 30,

	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 12	11
Sewer rentals	745	797
Interest on investments	49	69
WRA refunds	216	95
Other	46	-
	<u>1,068</u>	<u>972</u>
Disbursements:		
WRA budget share	661	517
Sewer - general	91	74
Administrative	32	33
	<u>784</u>	<u>624</u>
Increase in net assets	284	348
Net Assets, beginning of year	<u>2,721</u>	<u>2,373</u>
Net Assets, end of year	\$ <u>3,005</u>	<u>2,721</u>

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Management's Discussion and Analysis
June 30, 2004

Individual Fund Analysis

The District reported total cash basis net assets of \$3,004,774 at June 30, 2004 compared to \$2,720,700 at June 30, 2003. The net assets are reported in three funds: General, General Obligation Bond and ICA.

The General Fund cash balance increased \$30,375 from the prior year to \$465,727.

The ICA Fund cash balance increased by \$253,514 to \$2,511,336, an increase of 11% over last year's balance. The balance in this fund will be used to pay for the District's share of new construction and improvements at the WRA.

Budgetary Highlights

There were no amendments to the District's budget during the current fiscal year. Actual receipts exceeded budgeted receipts by \$182,818 due primarily to WRA refunds received that are not budgeted for. Actual disbursements were \$168,206 less than budgeted disbursements due primarily to lower WRA budget share payments than anticipated.

Debt Administration

The District has no bonds outstanding and has no immediate plans to issue new bonds.

Contacting the District's Financial Management

This financial report is designed to provide our property owners in the District, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Paul Drey by telephone at (515)274-1450.

Financial Statements

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Statement of Net Assets - Cash Basis

June 30, 2004

Assets

Cash	\$ 1,067,939
Certificates of deposit	<u>1,936,835</u>
Total assets	<u>3,004,774</u>

Net Assets

Unrestricted:	
General fund	465,727
Restricted:	
ICA fund	2,511,336
General obligation bond fund	<u>27,711</u>
	\$ <u>3,004,774</u>

See accompanying notes to financial statements.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Statement of Cash Receipts, Cash Disbursements
and Changes in Cash Balances - Cash Basis
For the Year Ended June 30, 2004

	<u>Total (Memorandum Only)</u>	<u>General Fund</u>	<u>General Obligation Bond Fund</u>	<u>ICA Fund</u>
Receipts:				
Real estate and personal property taxes	\$ 12,135	12,135	-	-
Sewer rentals	745,177	745,177	-	-
Interest on investments	49,240	3,884	184	45,172
WRA refunds - capital and budget	216,241	-	-	216,241
WRA budget share assumed by Urbandale Sanitary Sewer District	44,745	-	-	44,745
Other	30	-	-	30
	<u>1,067,568</u>	<u>761,196</u>	<u>184</u>	<u>306,188</u>
Transfers in	<u>633,400</u>	<u>-</u>	<u>-</u>	<u>633,400</u>
Total receipts and transfers	<u>1,700,968</u>	<u>761,196</u>	<u>184</u>	<u>939,588</u>
Disbursements:				
Regular	752,183	66,109	-	686,074
Administrative	31,311	31,311	-	-
	<u>783,494</u>	<u>97,420</u>	<u>-</u>	<u>686,074</u>
Transfers out	<u>633,400</u>	<u>633,400</u>	<u>-</u>	<u>-</u>
Total disbursements and transfers	<u>1,416,894</u>	<u>730,820</u>	<u>-</u>	<u>686,074</u>
Excess (deficit) of receipts over disbursements	284,074	30,376	184	253,514
Balance beginning of year	<u>2,720,700</u>	<u>435,351</u>	<u>27,527</u>	<u>2,257,822</u>
Balance end of year	\$ <u>3,004,774</u>	<u>465,727</u>	<u>27,711</u>	<u>2,511,336</u>

See accompanying notes to financial statements.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Reporting Entity

The Urbandale-Windsor Heights Sanitary District is incorporated under the laws of the state of Iowa. The District operates under a Board of Trustees consisting of three members. The District is an independent taxing authority organized under Chapter 358 of the Iowa Code and has the ability to issue debt. Therefore, its financial statements are not included in the financial statements of the cities of Urbandale or Windsor Heights. The purpose of the District is to provide sanitary sewer lines and facilities for the safe treatment and disposal of wastewater for property owners in its district. Its territory includes the city of Windsor Heights, Iowa, a portion of Urbandale, Iowa, and a very small portion of Des Moines, Iowa, and is located in Polk County.

For financial reporting purposes, the District has included all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The District maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the District are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the District in accordance with generally accepted accounting principles for municipal enterprises.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts. These accounts comprise its assets, net assets, receipts and disbursements. The various funds are classified as follows in the financial statements:

General Fund - The General Fund is the general operating fund of the District. All general tax revenues and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid through other funds.

General Obligation Bond Fund - The General Obligation Bond Fund is utilized to account for the payment of interest and principal on the District's general obligation and special assessment long-term debt.

ICA Fund - The ICA Fund accounts for transactions related to resources obtained and expended for construction, maintenance and upgrade of the Metropolitan Wastewater Reclamation Authority.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, continued

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Total (Memorandum Only)

The total column on the statement of cash receipts, cash disbursements and changes in cash balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Accounting Standards

Effective July 1, 2003, the District adopted GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures. The adoption of these pronouncements had no financial impact on the District's financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Cash and Investments

The District's deposits at June 30, 2004 were entirely covered by Federal Depository Insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in notes, certificates, bonds, prime eligible bankers acceptances, certain high-rated commercial paper, perfected repurchase agreements, other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, time deposits or savings accounts in depositories approved by the Board of Trustees and the Treasurer of the state of Iowa, or in warrants or improvement certificates of a drainage district.

The District's investments at June 30, 2004 include certificates of deposit, and are stated at cost, which approximates market.

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Notes to Financial Statements, Continued

(3) WRA Project Financing Liability

The District's liability, by year, for its share of the debt service of Des Moines bonds issued for State Revolving Fund Loans nos. 1, 2 and 3; Series 1992 Revenue Bond sales nos. 1, 2 and 4; and 1995 Sewer Revenue Capital Loan Notes of the Metropolitan Wastewater Reclamation Authority, including the debt assumed under contract with the Urbandale Windsor Heights District (See note 5), follows. These amounts are estimates of the repayment schedules based upon the original debt service agreements, since the funds for one or more of the State Revolving Fund Loans have not been completely drawn down as of June 30, 2004. The amounts are payable to the city of Des Moines, as agent for the participating member communities of the various WRA projects.

Year ending June 30

2005	\$ 154,365
2006	154,617
2007	154,866
2008	154,996
2009	153,787
2010 to 2016	<u>565,019</u>
	<u>\$ 1,337,650</u>

Sewer rental receipts of \$633,400 were systematically transferred from the general fund to the ICA fund as funding of the District's WRA budget share of \$660,747 for the year ended June 30, 2004.

(4) Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2004, disbursements did not exceed the total budgeted amounts.

Required Supplementary Information

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Statement of Cash Receipts, Cash Disbursements
and Changes in Cash Balances - Comparison to Budget
Year ended June 30, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Receipts:			
General fund and ICA:			
Property tax	\$ 12,135	12,000	135
Sewer rentals	745,177	850,000	(104,823)
Interest	49,056	22,000	27,056
WRA refunds - capital and budget	216,241	-	216,241
WRA budget share assumed	44,745	-	44,745
Other	30	500	(470)
General obligation bond fund:			
Interest	184	250	(66)
Total receipts	<u>1,067,568</u>	<u>884,750</u>	<u>182,818</u>
Disbursements:			
General fund:			
Windsor Heights administrative fee	1,200	1,200	-
WRA budget share	660,747	805,000	(144,253)
Other	121,547	145,500	(23,953)
	<u>783,494</u>	<u>951,700</u>	<u>(168,206)</u>
Total disbursements	<u>783,494</u>	<u>951,700</u>	<u>(168,206)</u>
Net	284,074	(66,950)	351,024
Balance beginning of year	<u>2,720,700</u>	<u>2,720,700</u>	<u>-</u>
Balance end of year	\$ <u>3,004,774</u>	<u>2,653,750</u>	<u>351,024</u>

See accompanying notes to financial statements.

Other Supplementary Information

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Summary of Cash and Investment Balances

Year ended June 30, 2004

Cash:

Commercial Federal Bank:

Checking account

\$ 1,001

Money market accounts

1,066,938

Total cash

1,067,939

Certificates of deposit:

Commercial Federal Bank

704,780

Bankers Trust Company

407,636

Iowa Savings Bank, FSB

502,428

Freedom Financial Bank

147,089

Liberty Bank

174,902

Total certificates of deposit

1,936,835

Total cash and investments

\$ 3,004,774

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Investment Transactions
Year ended June 30, 2004

	Principal				
	<u>Balance July 1, 2003</u>	<u>Purchased</u>	<u>Redeemed</u>	<u>Balance June 30, 2004</u>	<u>Interest Received</u>
Money market accounts	\$ 814,665	1,034,333	782,059	1,066,939	7,628
Certificates of deposit	<u>1,903,634</u>	<u>33,201</u>	<u>-</u>	<u>1,936,835</u>	<u>41,579</u>
	<u>\$ 2,718,299</u>	<u>1,067,534</u>	<u>782,059</u>	<u>3,003,774</u>	<u>49,207</u>

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Schedule of Cash Transactions - General Fund
Year ended June 30, 2004

Receipts:

Real estate and personal property taxes	\$ 12,135
Sewer rentals	745,177
Interest on investments	<u>3,884</u>
Total receipts	<u>761,196</u>

Disbursements:

Regular:

Cities local share	45,816
Legal fees	<u>19,750</u>
	<u>65,566</u>

Administrative:

Legal fees	14,925
Insurance	6,004
Auditing fees	3,500
Legislation fees	2,800
Trustee fees	2,380
Administrative fees	1,200
Publishing and postage	489
Repairs	543
Bank charges	<u>13</u>
	<u>31,854</u>

Total disbursements	97,420
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Transfers to ICA fund:

Sewer rental	<u>633,400</u>
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Total disbursements and transfers	<u>730,820</u>
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Excess of receipts over disbursements	30,376
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Balance beginning of year	<u>435,351</u>
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Balance end of year	\$ <u>465,727</u>
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URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT
Schedule of Cash Transactions - General Obligation Bond Fund
Year ended June 30, 2004

Receipts:

Interest on investments	\$ <u>184</u>
Total receipts	<u>184</u>
Excess of receipts over disbursements	184
Balance beginning of year	<u>27,527</u>
Balance end of year	\$ <u><u>27,711</u></u>

URBANDALE-WINDSOR HEIGHTS SANITARY DISTRICT

Schedule of Cash Transactions - ICA Fund

Year ended June 30, 2004

Receipts:

Interest on investments	\$ 45,172
WRA budget share refund	216,241
WRA budget share assumed by Urbandale Sanitary Sewer District	44,745
	<u>30</u>

Total receipts	306,188
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Transfer from general fund:

Sewer rental	<u>633,400</u>
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Total receipts and transfers	<u>939,588</u>
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Disbursements:

Regular:

WRA budget share	660,747
Legal fees	<u>25,327</u>

Total disbursements	<u>686,074</u>
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Excess of receipts over disbursements	253,514
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Balance beginning of year	<u>2,257,822</u>
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Balance end of year	\$ <u>2,511,336</u>
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COMMENTS AND RECOMMENDATIONS

The following comments about the **Urbandale-Windsor Heights Sanitary District's** operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during the audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Official Depositories

A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

Certified Budget

Disbursements during the year ended June 30, 2004 did not exceed the total amounts budgeted for the District.

Entertainment Expenses

No disbursements of District money for entertainment expenses were noted.

Travel Expenses

No disbursements of District money for travel expenses of spouses of District officials or employees were noted.

Business Transactions

No business transactions between the District and District officials or employees were noted.

Bond Coverage

Surety bond coverage of District trustees is in accordance with statutory provisions.

Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the **Urbandale-Windsor Heights Sanitary District** during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Corwin, Reichter & Company, P.C.

December 13, 2005